DOCUMENT RESUME

ED 154 403 CS 204 131

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TITLE The Energy Crisis and the Media: Some Case Histories.
PUB DATE 12 Jan 77
NOTE 44p.; Paper presented at a meeting of the Business International Chief Executives Officer's Round Table (Acapulco, Mexico, January 12, 1977)

EDRS PRICE MF-$0.83 HC-$2.06 Plus Postage.
DESCRIPTORS *Bias; Case Studies; *Communication Problems; Industrial Relations; *News Media; Newspapers; *News Reporting; *Organizational Communication; Public Affairs Education; Publicize; *Public Relations; Television
IDENTIFIERS *Mobil Oil Corporation

ABSTRACT

The five case histories presented in this paper discuss the relations of the Mobil Oil Corporation with various news media since 1973, particularly the difficulties that the oil industry has faced in communicating with and through the news media. The case histories deal with the following topics; news stories about tankers allegedly waiting offshore for oil prices to increase before discharging their cargoes; Mobil's complaint to the National News Council about the ABC television network's "biased" news program (March 1974) about the oil crisis; one particular problem Mobil had with the television networks that illustrates the barriers to free access in television; Mobil's arguments with the "New York Times" concerning adverse news writing about the oil industry; and Mobil's efforts to rebut a television news series entitled "The Great Gasoline Debate." By telling of its efforts to combat adverse news reporting about the oil industry, Mobil seeks to illustrate the guidelines and procedures it uses to hurdle communication and public relations problems. In the appendix are exhibits for each of the case histories, including newspaper articles, news releases, correspondence, and advertisements. (RL)

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The energy crisis and the media: some case histories

by

Herbert Schmertz

Vice President, Public Affairs

Mobil Oil Corporation

to the

Business International Chief Executives Officer's Round Table

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During the last decade, the American business community has come under very close scrutiny from a variety of outside sources, including government, consumerists, ecologists and the media. The result has been an increase in regulation, a decrease in public confidence in big business, and growing misunderstanding and criticism of the free enterprise system. Industry's willingness and ability to speak out forcefully to protect itself and its shareholders' interests have become paramount to survival.

It is not an easy task.

Mobil embarked on an intensive communications effort in the early 70s and, while we have achieved some modest success, we have also found ourselves embroiled in several controversies testing our capacity and willingness to engage in open debate on our right to be heard on the issues. This paper presents case histories of some of those controversies -- not all of which have been resolved. We hope they will provide some ideas on what to expect and how to react when the media, either inadvertently or intentionally, misrepresents your company or your industry.

Case History 1 -- The Tanker Myth

Probably no story reporting accusations against the oil industry was more unfounded -- and yet, more widely covered -- than the shortage-spawned "tanker myth." Stories about tankers waiting offshore for prices to go up before discharging their cargoes were going the rounds at the height of the energy crisis in the winter of 1973-74. These tankers were variously reported off the East and West Coasts, and at the mouth of the Mississippi River.

The stories were denied by William Simon, then Federal Energy Administrator, and by the Coast Guard, which said that tanker traffic had been normal. Apparently, the press had simply "discovered" tankers routinely awaiting berths and tankage into which to discharge their cargoes.

The rumors appear to have begun in New York, early in December 1973. A man in Montauk, Long Island, called the *New York Times* to report what he called an unusual number of oil tankers offshore. A Staten Island resident notified the Newark (N.J.) *Star-Ledger* that he had seen a lot of tankers in New York's lower harbor. Both papers checked the Port Captain and the Coast Guard. They were told the flow of tankers was normal for that winter's peak demand for oil. If anything, there were too few for a gasoline-short area. There was no story.

But the rumors continued. All through December, newspapers, wire services, and radio and television news desks received calls from people who had seen or heard of "fleets of oil tankers" standing in harbors or offshore. The Coast Guard checked as many reports as it could. It compared radioed notices of expected ship entries with actual arrivals 24 hours later. Reporters were told there was no significant increase or any hold-up of flow through the harbor or at sea. Accordingly, no news stories were published or broadcast -- yet.

Still the calls to newsrooms persisted. Oil company spokesmen, queried by the press, explained repeatedly that it would make no sense to delay ships for an increase in oil prices. Under price controls, shippers were held to a sale price based on what they had initially paid for oil. The U.S. price was, in effect, established from the moment the oil was pumped aboard the vessel. Besides, what sense would it make for the companies to keep a tanker at sea at an average cost of about $15,000 a day? But just when the rumor seemed to be dead in New York, it cropped up in Chesapeake Bay, and at approaches to Philadelphia, off the Florida and Texas Gulf Coast, in the Great Lakes. "Thousands" of barges were said to be jamming the Mississippi and Ohio Rivers -- all waiting for prices to go up. It made little difference when marine experts pointed out that many barges carry grain or ore.

Then, during Christmas week, an airline pilot supposedly saw a group of tankers clustered 500 miles southeast of New York. Since there was no corroboration, the "story" was not used.

Finally, after Governor-elect Brendan T. Byrne of New Jersey had stated publicly that "the tankers were out there waiting for their price," the *Times* printed some of the rumors on December 29.

The story also recounted that port captains along the Northeast

Coast reported "at least two dozen tankers waiting for space at dockside...." Since each tanker held at least 50,000 tons of fuel, they were talking about well over a million tons of oil being held up. But an analysis of normal traffic disclosed that an average of eight tankers a day enter New York harbor at winter's peak. Each normally averages a day and a half in a holding anchorage,accounting for a total of 12 tankers in New York alone. The remaining dozen were spread from Maine to Virginia.

Official statements now began to support oil company denials of "news stories" that a shortage of storage space was preventing the proper flow of petroleum. The alleged shortage was investigated by authorities in Connecticut, Massachusetts, and Pennsylvania. Connecticut Governor Thomas J. Meskill announced that tankers lying off New Haven were waiting merely "for dock space or tidal changes."

William E. Simon called the rumors "unfounded in fact" in a statement distributed by the wire services on January 3, 1974. (Exhibit 1a, p. 19) He explained that pricing regulations prevented price increases through shipping delays. He cited Federal Maritime Commission and Department of Transportation reports that tanker movements were "normal and in accordance with the usual patterns observed in the past." Perhaps it would have helped if the *New York Times* had given Mr. Simon's statement the same page-one prominence it had given the rumors. But Mr. Simon's remarks were covered in a story on page 13.

U.S. Senator Jacob Javits of New York told a television interviewer who seemed intent on furthering the rumor that "we can't kid ourselves by laying the energy crisis at the doors of the oil companies." Senator Javits added that "the fact that you hadn't seen all those tankers before is just the fact that you hadn't been out in the harbor before. There's nothing unusual about all those tankers...."

The rumors, however, continued unabated, and there was further speculation on radio and TV. On January 11, Captain Frank Oliver of the Port of New York felt obligated to state that, despite persistent reports, tankers arriving in New York were neither backed up nor delayed. "This year's port activities are normal," he stated.

Although the energy pinch had largely ended by the beginning of spring, as late as the last week of March the Newark *Star-Ledger*

received a call from a New Jersey coastal resident: there was a whole fleet of tankers offshore....

In addition to issuing periodic statements to the press dismissing the rumors, Mobil also distributed a letter denying them, along with a copy of William Simon's statement that the reports were unfounded, to all Mobil shareholders, employees, dealers, distributors and major customers. (Exhibit 1b, p. 20)

Some months later, the company hired a freelance investigative reporter who was given free reign to track down the reports and determine for himself whether they were fact or fancy. His report exonerated the industry and was subsequently published in *The Bulletin* of the American Society of Newspaper Editors. (Exhibit 1c, p. 21) Beyond that, the media did little to spread the word. A fact which is evidenced by the long life of the myth. As late as February, 1976, Liz Trotta of WNBC-TV in New York resurrected the rumor in a five-part fantasy purporting to deal with gasoline pricing. Ms. Trotta's series is covered in another case history.

Case History 2 -- ABC and the National News Council Complaint

On March 20, 1974, the American Broadcasting Company telecast nationally a program titled "Oil: The Policy Crisis," which was inaccurate, shoddily researched, and unfair in the manner in which it presented the energy crisis and the oil industry's role.

ABC had invited Mobil by telegram on March 18 to comment on the program, which the network had labeled as "basically a primer on oil, designed to help Americans understand a highly charged and difficult problem." The network also maintained that the program had been "researched and executed from every conceivable point of view." All of which Mobil took to mean that the program would be balanced and educational. Such was not the case. Mobil found 32 separate inaccuracies or instances of unfairness to complain about to the Grievance Committee of the National News Council -- a watchdog of national news media.

Basically, there were several major areas of complaint: First, much of the program was devoted to events dating back 50 years and more, including historical film clips of John D. Rockefeller, the Teapot Dome, wooden derricks, and "gushers," all of which were fundamentally irrelevant to the purpose of the program as stated by Jules Bergman, who said:

"... this program is a primer on oil and oil policy. It is designed

to help understand the current crisis. If there's confusion in the public mind on the so-called energy crisis today, the problem did not begin yesterday or last October. In the next hour we will look behind the headlines, we will examine this question: Has government policy protected the public, or has government followed policies more likely to benefit the oil companies at public expense?"

To the extent history was relevant to the energy problems facing the United States in 1974 (and some was very relevant), the program should also have included the history of government price controls on natural gas, the moratorium on drilling off Santa Barbara since 1969 (and the severe limitation on offshore leasing generally from 1969 through 1972), the surge in petroleum consumption due to increased use of power options on automobiles, and the imposition of rigorous auto emission controls. Since 1970, U.S. demand for imported oil has increased by 130% to nearly eight million barrels a day. And one of the fundamental problems facing this country is how to reach a proper balance between our needs for energy and our legitimate environmental objectives. "Oil: The Policy Crisis" said virtually nothing in these key policy areas.

Second, the selection of filmclips portrayed an image that was damaging to the industry with little offsetting footage showing the contributions made by the industry or the changes in its operations since those early days. The impression was left in the viewer's mind that those pictures represented the industry today. This impression was strengthened by the direct statements made by Mr. Bergman connecting history to the problems facing the nation in 1974 (e.g., the quote cited above). Leaving this impression with the viewer was a disservice not just to the oil industry, but to the general public. It would be comparable to Mobil producing a documentary about today's television industry and pointing to the 1941 FCC decree requiring RCA to rid itself of one of its networks as evidence of a current conspiracy. The split, which created ABC was ordered to end RCA's overwhelming dominance in communications. The problems faced by United States energy industries are serious ones and deserved a serious effort to inform the public about the industry and its present problems --not those of half a century ago.

Third, Mobil thought it a disservice to the viewing audience to present a purported explanation of 1974's fuel shortages with only passing mention of the Arab embargo and no mention of the cutback in Arab production. The cutback had been denying the

free world access to over 4.5 million barrels a day of crude oil and, coupled with the embargo, was denying U.S. consumers more than 2 million barrels a day. Any program designed to present an explanation of energy problems to the American people could hardly be considered responsible journalism without full discussion of these matters, together with the underlying forces that motivated the Arab nations to take these steps, and the "government-environmentalist" policies which created our dependence on foreign sources.

In making our complaint to the National News Council, we issued a press release detailing some of the specific aspects of the program we found objectionable and why. (Exhibit 2a, p. 24) The controversy received considerable coverage in the print media, including the *Wall Street Journal*, which labeled the program "an hour-long editorial."

Although some of the questions raised in the complaint were too complex for the Council to resolve, the Council did decide, without a hearing, that ABC "could, and did, select certain facts that pointed in one direction and omit others that pointed elsewhere." (Exhibit 2b, p. 28) The network, the Council said, was guilty of leading the viewers to assume that the program was "striving conscientiously for balance and fairness. In cultivating that impression," the Council noted, "ABC was professing adherence to a standard higher than was required of it and higher than it in fact achieved."

The Council also expressed the opinion that ABC should not have contended that the documentary was "executed from every conceivable point of view."

After the Council issued its report, Mobil issued another press release expressing gratification for the Council's statement. (Exhibit 2c, p. 31)

Our point in the entire affair was to show that, denials to the contrary, ABC did not present the issue fairly. In this instance, we think we succeeded in making our point.

Case History 3 -- Television and Free Access

Although Mobil has had its problems with the print media in the way they cover certain events, we think we have achieved reasonable success in our efforts to express our views in newspapers. The same situation does not prevail in television.

The three networks have two barriers which prevent free flow

of information and ideas: the structure of network news shows, and the denial of access to non-network groups.

All three networks have essentially the same policy regarding controversial issues: Namely, that the public will best be served if controversial issues of public importance are presented in formats determined by broadcast journalists -- almost invariably in the employ of the networks.

The result of this policy is that the networks decide what issues to present, the format, the spokesmen, the depth, and the duration.

The second element in the problem is the structure of TV network news. This structure inevitably yields, at best, a headline service, and at worst, misleading conclusions.

Three factors inhibit the network news shows from presenting accurate and complete coverage of complex issues.

Time is a major constraint. In a half-hour nightly news program, each network covers 10 to 12 major stories, as well as "headlines" from other stories, and an essay by the network commentator, all between commercial breaks. Walter Cronkite addressed this problem at the recent Radio and Television News Directors Convention, when he commented on "...the inadvertent and perhaps inevitable *distortion* that results through the hyper-compression we all are forced to exert to fit one hundred pounds of news into the one-pound sack that we are given to fill each night."

Another drawback is personnel. The networks do not employ experts in technical subjects, but prefer generalists who are competent to handle the most sweeping stories.

And, perhaps, most important, news programs are entertainment shows. In an article in the *New York Times,* John J. O'Connor commented on the show business side to TV news:

> "TV news, no matter how lofty its pronounced aims, is rarely able to escape the clutches of show business considerations."

According to Mr. O'Connor, formats, footage and anchormen stand or fall on the basis of the ratings.

The result of these structural defects is not necessarily bias.

The major point is not that TV news is biased, but rather that complex issues cannot be adequately presented within these limits. Thus, television is failing to present to the American people the widest spectrum of views, opinions, and facts. It denies the American people the tools to decide the great issues they face.

Mobil, in an attempt to open television up so that different points of view can fairly compete in the marketplace of ideas, tried to reply with issue advertising on a large scale.

In brief, we believed that we had something important to say, and that we could only get our message across through paid advertising. We sought to respond, not set the agenda.

During the energy crisis, news on energy broke so fast that nearly every day brought not one, but several news stories on energy. The problem of keeping up with the news was compounded by the fact that so few reporters, outside the trade and business press, knew anything about oil or energy. Even business reporters knew very little about the day-to-day operations of the oil industry. Since energy specialists were almost non-existent, many reporters who had no experience in the field were drafted into the ranks of "energy experts."

The result was a breakdown in communication -- and just when communication was critical. In short, the circuits couldn't handle the load.

Newspapers, by and large, fared better than television in the breadth of their energy coverage. They have developed a flexible structure for presenting a wide spectrum of views. There were regular news items, in-depth news analyses, editorials, and guest opinions in editorial sections, as well as advertising and letters on editorial pages. At the height of the crisis, the *New York Times* often had four or five full pages devoted solely to energy reporting.

Television coverage of the energy crisis was woefully lacking because of the inherent structural inadequacies of the medium. The energy crisis presented more complex problems of public education than could be handled in a short news item presented to a correspondent in the context of an entertainment show.

Against this background, TV news fell short in its coverage of such energy stories as the tanker rumor, the Jackson and Church hearings, the oil profit reports, explanations of U.S. dependency

on foreign oil, and the role of Congress. These stories, so important in creating and directing public opinion on energy, were inaccurately and inadequately reported. A medium which stresses topical entertainment and emotion in its news and public affairs programming cannot simultaneously provide in-depth coverage of such complicated and controversial national issues.

Our conclusion is that network news over-dramatized and oversimplified the energy story. Broadcast news inhibits rather than promotes full and robust debate on public issues.

Mobil's efforts to give the public the facts as we see them, through television advertising, ran into serious problems. For while the print media has been willing to sell us space, and has hardly ever disagreed with us over the substance or placement of an ad, it soon became apparent that the networks were not only determined to be the judge of what we could and could not say, but that they were going to exercise their power in an extremely arbitrary way.

Specifically, we were told that network policy is not to sell time for the discussion of "controversial issues of public importance." One radio station -- WTOP in Washington -- said the energy crisis was a controversial issue and therefore they could accept no commercials dealing with the subject. When it became clear that the networks might be worried about having to provide free time under the law for a rebuttal of Mobil's views, we offered to pay for any rebuttal time the networks were required to provide, as well as for our own message, with the networks having total control over whether a rebuttal was required under the fairness doctrine and the persons or groups doing the rebuttal.

This offer, which was unprecedented in the annals of commercial television, carried little weight with the networks. They insisted as a general principle that energy issues can best be covered in news programs, and that their journalists should decide what should appear.

Here's one example of what industry is up against in getting its views heard on TV. In an ad we prepared to run on television, the camera would focus throughout on a beach and ocean waves while the announcer said:

"According to the U.S. Geological Survey, there may be 60 billion barrels of oil or more beneath our continental shelves.

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"Some people say we should be drilling for that oil and gas. Others say we shouldn't because of the possible environmental risks. We'd like to know what you think.

"Write Mobil Poll, Room 647, 150 East 42nd Street, New York 10017.

"We'd like to hear from you."

NBC accepted this ad without change. CBS turned it down in a letter which read in part:

"We regret that the subject matter of this commercial... deals with a controversial issue of public importance and does not fall within our 'goods and services' limitation for commercial acceptance."

ABC also turned down the ad in a letter which gave no explanation but merely said:

"This will advise that we have reviewed the above-captioned commercial and are unable to grant an approval for use over our facilities."

We decided not to let this rebuff go unchallenged. We therefore took out a newspaper ad which reproduced the proposed visuals and text for our TV spot, together with the three networks' replies. (Exhibit 3, p. 33)

We received over 2,000 replies to this newspaper ad, and the respondents overwhelmingly favored our right to express our viewpoint on the air.

These letters are a clear indication that the public *wants* the facts, and supports our basic tenet that we, as corporate citizens with a special expertise in energy matters, should be given the opportunity to express our views in the marketplace of ideas. This accords with our belief that, in a democracy, one of two things will happen if we are allowed to exercise our rights. If our views are correct, we will have made a positive contribution to the national debate on energy policy and related issues, and will have helped the nation establish the coherent set of priorities and principles it needs in the energy field. If we are wrong, our ideas will be shot down, and we will lose both money and reputation. We are prepared to take our chances.

Indeed, the issue is one of even greater importance than national energy policy, crucial though that may be. What is at stake here is the principle that debate on national issues be allowed to proceed unshackled by artificial constraints, a principle embodied in the First Amendment to the Constitution of the United States.

As Judge Learned Hand said:

> "...right conclusions are more likely to be gathered out of a multitude of tongues, than any kind of authoritative selection. To many this is, and always will be folly; but we have staked upon it our all."

Case History 4 -- Mobil and the *New York Times*

We have generally found that the print media has covered the energy story better and more meaningfully than television and radio.

We have also found that it is easier to respond to criticism and misinformation in newspapers and magazines than it is with the electronic media. This is partly due to format -- newspapers, in particular, have room to expand on stories and are open to detailed comment from interested parties; and they allot space for letters to the editor. But beyond that, there is the advantage that the print media, by and large, will accept corporate advertising on controversial issues. Thus, when all else fails, we can always respond with a paid message.

It does not necessarily mean we have a marriage made in heaven. A case in point is Mobil's running argument with the *New York Times* concerning their treatment of stories in which adverse news about the oil industry -- antitrust lawsuits, for example -- received prominent coverage, often on page 1, while the news of dismissal of those suits was buried deep within the paper, if it was covered at all.

In November of 1974, we wrote to the editor, calling to his attention that, over a two-year period, the *Times* had run 20 stories -- 10 on page 1 -- reporting accusations made by the New York State Attorney General against Mobil and other oil companies. The letter went on to point out that at least two such charges made by the Attorney General had been thrown out of court. Not a word of either dismissal was reported in the *Times*.

Working on the theory that it's the original lawsuit that attracts the most attention, Mobil decided to do something positive in order to be heard in the news columns. We sued the New York Attorney General for trying to enforce a law that the U.S. Supreme Court had found unconstitutional. The *Times* did not cover the story. Thus, our letter to the *Times* asked:

"Why is it news when Mobil is sued, but not when a charge is dismissed? Also why is it not news when Mobil sues?"

The letter was not printed.

However, another "opportunity" to question the *Times'* policies presented itself after lawsuits brought by Long Island Lighting and Consolidated Edison against Mobil and other oil companies in 1974 were thrown out of court. The utilities had asked $340 million in damages because of the increased cost of imported fuel oil -- which they claimed to see as the fault of the oil companies.

The *Times* gave front-page coverage to both lawsuits and included Mobil's comments on the suits. Mobil also ran an advertisement, headlined "Dig they must -- but let them get the facts straight," in which we pointed out that we didn't even supply fuel oil to the two utilities.

On February 27,1975, the Lilco and Con Edison suits were dismissed, with a comment by the trial judge that "there was less here than meets the eye." Since the original lawsuits received front-page coverage, one would expect prominent play for their dismissal. And one would have been disappointed. The *Times* chose to run that story on the back page. Mobil felt constrained to comment in a letter to the publisher on "the occult mechanics of newspaper production," that may have dictated that placement. (Exhibit 4a, p. 34) Our letter also pointed out that *there might not have been a story at all if Mobil had not brought the facts to the attention of the Metropolitan Desk*.

The letter continued:

"Obviously our concern is not over how news is positioned but of how the importance of news is perceived at the *Times*. We are concerned that though the petroleum industry has been subjected to an unparalleled front-page barrage of editorialized

and politicized criticism, news of its vindication -- even in a local scrimmage -- could be buried as it was. By relegating the news of the suit's dismissal to the back page, the *Times'* editors ensured that it would go virtually unnoted by those who had been influenced by the original attack reported on the *Times'* front page.

"In a sense, the oil industry is on trial in a court of public opinion -- molded in part by the *New York Times*. Ill-considered Congressional actions are a partial reflection of that public opinion. If the *Times* fails in its obligation to present all the facts in a fair manner our free institutions will suffer."

The *Times* did not agree wholeheartedly with our assessment but did admit that "whenever possible, the news about the dismissal of a suit ought to be given the same prominence as the fact that the suit was brought." (Exhibit 4b, p. 36) However, on January 6, 1976, the N.Y. State Court of Appeals upheld earlier decisions and dismissed charges of price discrimination against Mobil. Nothing appeared in the *Times* on January 7. We then prepared an ad illustrating our case against the *Times* and sent it to the newspaper to see if it was acceptable to them and for them to authenticate that nothing had been run. (Exhibit 4c, p. 38) The ad was scheduled for January 15, but in what may or may not have been a related move, the *Times* developed a story in which the dismissal was mentioned. The story appeared on January 14. (Exhibit 4d, p. 39) Since our ad stated that the *Times* had said nothing, we did not run it. But we took some measure of satisfaction in our efforts to get the *Times* to say *something*. It should be noted that later in 1976 when the New York State Supreme Court dismissed other charges against Mobil and other oil companies, the *Times* ran the story on page one.

Case History 5 -- WNBC-TV and "The Great Gasoline Debate"

When WNBC-TV, the New York outlet for the national network, announced that it would run a series titled "The Great Gasoline War" on its 6 p.m. news show during the week of February 23-27, 1976, Mobil decided to pay close attention.

Because of previous disappointments with television news shows in which interviews of 30 minutes or more were edited down to one or two-minute segments, which sometimes bore little or no relation to the point Mobil wanted to make, we have avoided

participating in such interviews. Thus, when invited by WNBC-TV to take part, we declined. We did not, however, let the show pass unnoticed, but closely monitored its entire run.

The very first segment on February 23 showed that our concerns were well-founded. It was so full of distortions and errors -- including the old myth about tankers waiting off the coast until prices rose -- that we knew we would have to reply.

The rest of the week, Mobil's staff monitored the series and developed responses. A full-page newspaper ad was written over the weekend, and management reviews, along with top-level clearances, were obtained early the following week.

The result was a full-page ad which ran in the *New York Times* on Friday, March 5.(Exhibit 5a, p. 40) The following Monday it appeared in the *New York Daily News* and in the eastern edition of the *Wall Street Journal*.

The ad, titled "What ever happened to fair play?", called the WNBC program "inaccurate, unfair, and a disservice to the people," and "a parade of warmed-over distortions, half-truths, and downright untruths marching across the screen like an army of tired ghosts -- ghosts we thought had been laid to rest two years ago."

The ad provided details on what we labeled "hatchet jobs," and a small drawing of a hatchet accompanied each distortion.

Among the distortions -- and Mobil's responses:

HATCHET JOB: At the outset, Ms. Trotta referred to "the rather vague circumstances that surrounded the Arab oil embargo back in 1973."

FACT: There wasn't anything "vague" about the embargo. The Arab nations made a simple straightforward decision to use oil as a political weapon and they cut off supplies to certain countries, including the U.S. We hope Liz Trotta knew this. If she didn't, her research was shoddy. Apparently she preferred to create an aura of mystery and conspiracy around a straightforward set of circumstances.

HATCHET JOB: Said Ms. Trotta: "The objective, then, is to sell as much gasoline as possible to keep the high-

profit refining operation going."

FACT: What high profit? Mobil's U.S. refining and marketing operations actually lost money in 1974 and only began to break even in 1975.

HATCHET JOB: This one is a beauty, because it involves TV production technique, rather than words alone. Says a dealer: "The only difference between them (oil companies) and the hoodlums in the street is that they don't get caught. They're too big." Then the camera flashes back to an oil company executive, obviously in the midst of a pre-recorded interview, and the first words allowed to come out of his mouth are: "It is true, we're not willing to subsidize an economic loss at a marginal station...."

FACT: The implication is clear. The oil man is made to appear in agreement with the line about "hoodlums." Frankly, nothing in the show made us as angry as that cheap distortion, because it was so patently contrived.

Mobil also sent a letter to the station offering to purchase a half hour of time to "present additional information which we feel is pertinent to the many issues raised by Ms. Trotta."

WNBC-TV, naturally, disagreed with our ad, rejected our request, and countered with an offer to allow a company spokesperson to air a brief statement, after which he would respond to a series of questions posed by Ms. Trotta.

Mobil refused that offer, calling it, "patently unfair because it would be impossible for Mobil to compress its response into a short statement of a few minutes in reply to five nights of one-sided editorializing totaling some 36 minutes. (Exhibit 5b, p. 41)

"Second, the format you offer is irresponsible because it exacerbates the unfairness of the original show, in which WNBC-TV News and Ms. Trotta used their full control over the structure of the show to present a biased report on the complex issues involved. Mobil does not believe it can redress this unfair presentation with WNBC-TV News controlling the agenda of the questions posed by Ms. Trotta." The letter concluded with a repeat of the request for unedited time.

Mobil had two goals in mind in responding to the series. First,

we wanted to set the record straight. Second, we wanted to put the media on notice that somebody was watching and ready to point out their mistakes.

We think we achieved a significant victory. *Time* and *Newsweek* ran generally favorable articles, as did many other publications. In fact, the national media really made a pro-Mobil case.

We had also heard that NBC, the parent network, planned to syndicate segments of the gasoline series to their stations across the country. We made sure that each one received a copy of our ad -- and NBC never did syndicate the segments. Even Milton Moskowitz, a tough consumer advocate, noted in his *San Francisco Examiner* column: "It's nothing short of amazing that only one company seems to know how to fight back against critics."

The furor prompted WNBC to schedule another energy special on May 15, in which Mobil and two other industry representatives participated, along with three critics. With Edwin Newman as a fair, impartial moderator, the industry side came across very well.

Summary

The foregoing case histories offer some idea of the difficulties industry faces in communicating with and through the media.

It is, in general, easier to communicate through print media. Through letters to the editor and paid advertisements, a company's voice can be heard in virtually any newspaper in the country. Granted, advertising is an expensive proposition, but if the situation calls for an aggressive response, the dollars will have been well-spent.

Radio and television present more problems in attempts to span the communications gap, but the difficulty of the task should not discourage any company from making a solid effort to speak out in its own behalf.

There are ways of making your views heard.

Mobil has put a number of executives through special training and sent them on media "blitzes" across the country, during which they appear on numerous TV and radio programs, in addition to meeting newspaper editors. In all, we have had as

many as half a dozen executives traveling around the country at one time. We also tape interviews for syndication.

In the last two years, Mobil representatives have appeared on a total of 365 television shows, 211 radio shows, and had 80 newspaper interviews.

There also is an aggressive program of editorial replies. Occasionally, during the embargo period, when local TV stations blasted the oil industry, they asked if we wanted to reply. Now, we not only reply when asked, but we record TV editorials on our own and send out replies when we think we can score points. They have had a high percentage of success; some have been aired as many as eight times in a day.

Mobil also has the capacity for taping "electronic news releases," which we send to radio stations around the country.

In short, there are ways to hurdle some of the obstacles to freer communications. And it's up to business to make the most of them.

It's by no means a simple task, and I'm not suggesting that the programs which have worked for Mobil will work for everyone. But there are a few general guidelines to follow which might help in developing a public affairs program of your own.

Above all, success requires the establishment of clear-cut objectives and a firm commitment by top management to see the programs through, fully aware of what's involved and what's at stake. Before a position is taken on an issue, be sure you're on solid ground. Use insiders who understand the business and know how to communicate with the various publics and, once you've made a stand, be prepared to deal with critics both inside and outside the company. As long as you can keep an eye on the future, and a sense of proportion, your credibility will gradually build up.

We think that by speaking out we have made the public more aware of who we are and what we stand for. And people have come to respect what we say and the way we say it. Even when they disagree, they respect our honesty. We have made our critics look to see whether their guns were loaded before shooting from the hip.

We think we have also changed some minds among opinion

leaders in government, academia, and elsewhere. And among the public at large.

Most important, we believe corporate managers have a responsibility to look beyond improved earnings and capital appreciation. In the hostile climate business faces today, we think investors have a right to expect management to protect their interests against a variety of foes who, for whatever reason, attack the free enterprise system.

FEDERAL ENERGY OFFICE
Public Affairs
4001 New Executive Office Building
Washington, D.C. 20461
Telephone: 395-3537

EMBARGOED FOR RELEASE UNTIL
11:00 A.M., EST, THURSDAY, JANUARY 3, 1974

REPORTS OF TANKERS HOLDING BACK ARE ERRONEOUS, SIMON CONTENDS

William E. Simon, Administrator of the Federal Energy Office (FEO), today attempted to put to rest rumors that oil tanker fleets are lined up off U.S. coasts waiting for petroleum price increases.

"Such reports are unfounded in fact and do not reflect an accurate understanding of petroleum pricing regulations," the Administrator said.

Simon said he had contacted Helen Delich Bentley, Chairman of the Federal Maritime Commission, who said there were no signs of unusual activity off U.S. coastlines. He also cited a statement issued by the Energy Policy Office of the Department of Transportation, which said:

"The United States Coast Guard reports that in its routine operations and normal course of business it has observed no unusual concentration, hovering or bunching of tankers off the coasts of the United States. Tanker arrivals and departures from U.S. ports appear to be normal and in accordance with the usual patterns observed in the past."

Simon also noted that under Cost of Living Council guidelines for petroleum, shippers are permitted to sell petroleum in port only at the price they paid for it -- thus providing no incentive for shippers to hold cargoes offshore to await possibly higher prices later in the winter.

E-74-3 -FEO-

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Mobil Oil Corporation

150 EAST 42ND STREET
NEW YORK, NEW YORK 10017

RAWLEIGH WARNER, JR.
CHAIRMAN OF THE BOARD

January, 1974

TO MOBIL CUSTOMERS:

The news media have been working overtime in recent weeks to make the oil companies the villain responsible for the current energy shortages. Newspapers, magazines, radio talk shows, TV news programs -- all seem to be taking a particular delight in attacking Mobil and other oil companies. Practically everyone these days seems to have something to say about the energy crisis.

Most of this reporting has been wrong, distorted and one-sided. Mobil's attempts to correct these distortions, and to get the facts across have not met with much receptivity from the news media -- probably because it's easier to attack and to label than to try to understand the complex facts that underlie the energy crisis.

We intend to continue to try to set the record straight. We will continue to refute false reports whenever we can. But we can use help -- your help. I urge you to talk to your friends and neighbors at every opportunity -- with the real facts.

In this regard, I am enclosing a magazine interview with William E. Simon, administrator of the Federal Energy Office. I believe it to be a balanced, reasonable explanation of the current energy situation. You will note, on page 19, that Mr. Simon says his office is looking into reports of tankers anchored off the East Coast. He has since announced that these reports are completely unfounded. His statement on tankers is also enclosed. The news media largely ignored this statement, incidentally.

Finally, I should point out that at the time of this letter, some politicians are reportedly trying to restrict the oil companies from running paid advertising -- which is practically the only way left for us to get our message across. I do not know what will come out of this attack on the right of free speech. But I do know that Mobil will fight strongly any attempt by any politician to impose unfair restraints on our right to speak out. I hope you will, too.

Sincerely,

Rawleigh Warner Jr.

Rawleigh Warner, Jr.

Enclosures

The great 1973 tanker search.

By Peter Celliers

The rumors will begin again in New York—because this year, like last, the winter fuel shortage will be sharpest on the East Coast. But this year the story may not take as long to get into print or on the air . . . because of the memory of last year's reports, never proved but never categorically disproved.

Reports of oil shipments being held up pending a price increase made the rounds for weeks last winter before getting published. As nearly as the Coast Guard news people can recall now, media queries began to reach them early last December. A possible trigger may have been the December 2 announcement of the New York State Attorney General that he was launching an antitrust investigation of the seven major oil companies.

Certainly it was about that time, David Andelman of The New York Times believes, that his paper got a call from a man in Montauk who reported an unusual number of oil tankers gathered offshore. It was about then, too, as Art Linehan recalls, that the Newark Star-Ledger heard from a Staten Island resident who had noticed a lot of tankers accumulated in New York's lower harbor.

Both newspapers checked with the office of the Port Captain for New York Harbor and with the U.S. Coast Guard. They were assured that the flow of tankers into New York was normal for the winter peak: there was no holdup in the flow of oil into a shivering, gas-short New York. There was no story.

But that didn't stop the talk. Through December, as men pulled guns and women offered their bodies for $2 worth of gasoline, every one of the New York news outlets got worried calls from people who'd seen or heard about "fleets of oil tankers" being held out in the harbor or at sea. Some callers asserted and others asked if it were true that the ships were being delayed by the oil companies to wait for an increase in the price of oil.

The Public Information Office of the Coast Guard was fielding most of the New York media followups. They checked radioed notices of port entries against the ships' arrivals 24 hours later, rechecked the movement of each vessel to a federal anchorage and from there to a terminal dock. They assured reporters there just was no significant increase in tanker movement nor any holdup of flow through the harbor or at sea.

So no news stories appeared. But still the talk persisted, as did the calls to newsrooms citywide. One reason for this, the Port Captain's office thinks in retrospect, may be that oil tankers in the harbor stopped being just part of the scenery once the fuel pinch hit. They became highly visible in federal anchorages close to shore, where each stays an average of a day and a half offloading oil into lighters or waiting for the necessary high tide to enter shallower terminal docks.

Oil company spokesmen, too, were getting their share of news queries in this period. They explained that the idea of holding out for an increase in oil prices just isn't possible. Under price controls, shippers are held to a sale price based on what they'd initially paid for the oil. The U.S. price was, in effect, unalterably fixed from the moment the oil was pumped aboard. What's more, Mobil's C.S. Townshend pointed out, it costs around $15,000 a day to keep a tanker at sea.

By now, in a behavioral pattern predictable by social scientists, the reports of backed up—or held up—tankers were coming from other points as well. From Philadelphia, a call came to the New Jersey bureau of The New York Times. From Des Moines, a radio station checked with several oil company spokesmen in New York. The reports were essentially the same—"fleets" of tankers held up in Chesapeake Bay at the approaches to Baltimore and Philadelphia, off Florida and the Texas Gulf coast, in the Great Lakes, "thousands" of barges along the Mississippi and Ohio rivers . . . all waiting for oil prices to go up.

Marine experts suggested that the barges were more likely grain or ore carriers, that the tanker reports were all from federal anchorages. Proving himself a competent social psychologist, energy czar William Simon went to the heart of the trouble: "If there is doubt," he said in an address to the National Press Club, "most of the citizenry these days will presume they are being misled. . ."

During Christmas week, a new twist was added. This time it was an airline

Although he is now a partner in the p.r. firm of Ellis Associates, Mr. Celliers continues freelancing. He worked for Reuters and NANA before switching to magazine work.

The research for this article was underwritten by Mobil and was for their internal use. Mr. Celliers points out: "Mobil had no input on the story, changed nothing and suggested nothing when it was shown to them."

pilot, so the story went, who had seen a group of tankers milling around 500 miles southeast of New York. Again, the story was spread by word of mouth: there is no printed report of the story. Oil company and Coast Guard informants respectively believed the pilot had called UPI and WPIX (Channel 11) in New York. Both outlets deny this: indeed, they say they carried no tanker story at all—not any part of it—for lack of official corroboration.

In fact, the first print reference to the mythical pilot appeared three months later, in Dun's Review for April.

In fact, none of these rumors seems to have reached print before December 29, when The New York Times put some of the talk down in black and white. It ran then, Andelman says, only because they'd finally got an authoritative source: Governor-elect Brendan T. Byrne of New Jersey had gone on record the day before at a lunch with editors of The Times. Saying that he'd have his attorney general check into the story—instructions which, incidentally, the state legal chief's office denies receiving—Mr. Byrne charged that the "tankers were out there waiting for their price."

On the strength of this, Andelman called every port captain along the northeast coast. From this survey, he was able to report "at least two dozen tankers waiting for space at dockside, lying in federal anchorages." It sounded impressive: with each tanker carrying 50,000 tons or perhaps more of fuel, that'd be well over a million tons of oil being held up. In fact, however, the normal movement of eight tankers daily into New York harbor at winter's peak, with each averaging one and a half days in a holding anchorage, accounts for 12 tankers normally just in New York . . . leaving 12 more for all the other ports from Maine to Virginia.

Andelman's story carried the Byrne charge, but focused primarily on a lesser concern: an alleged shortage of oil storage facilities causing a bottleneck in petroleum flow. (This was the prime emphasis, also, of other conservative outlets: CBS over ABC, for example, the Philadelphia Bulletin in a brief item over a much longer Inquirer "expose.")

That point had, however, been answered earlier that week in Connecticut. Reporting on an inquiry he'd demanded, Governor Thomas J. Meskill also implicitly denied calculated price-raising delays by the oil companies when he reported that, far from being backed up by a shortage of storage tanks, the tankers awaiting entry to the port of New Haven were, innocently and according to customary practice, merely "waiting for dock space or tidal changes."

In response to the same rumors, the governors of Massachusetts and Pennsylvania had ordered official monitoring of tanker movements into their states. That seemed to add credibility to the rumors. For despite the earlier and continuing denials of the Coast Guard and of oil company spokesmen, Federal Energy Administrator William E. Simon had to take official note of the gossip on January 3.

Reports of tanker fleets lined up off U.S. coasts waiting for petroleum price increases were "unfounded in fact," Simon said in a press release distributed nationally by the wire services, "and do not reflect an accurate understanding of petroleum pricing regulations." For further corroboration, the FEO release cited the Federal Maritime Commission and the Department of Transportation as reporting tanker movements "normal and in accordance with the usual patterns observed in the past."

The Simon release was also at pains to explain the Cost of Living guidelines on oil pricing, to demonstrate that there was no possibility of any price increase, thus no incentive for shippers to delay their cargoes.

The Simon denial was arguably sparked by the upsurge in radio and television talk which followed publication of the story in The New York Times. If anything, however, there was more electronic insinuation after the FEO release was made public. Among the loudest in denunciation was Geraldo Rivera of ABC's local New York area Eyewitness News. It was Rivera, however, who also gave Senator Jacob Javits air time to assert that "we can't kid ourselves by laying (the energy crisis) at the doors of the oil companies."

Addressing himself specifically to the matter of the tankers, the Senator told Rivera: "Now the fact that you hadn't seen all those tankers before is just the fact that you hadn't been out in that harbor before. There's nothing unusual about all those tankers. . ."

None of the newsweeklies had carried the story and few enough newspapers.

Rumor serves an emotional need, Gordon W. Allport stresses in his study on "The Psychology of Rumor." It relieves anxiety in times of crisis by ascribing a motive, a reason—however much at variance with the facts—to the otherwise incomprehensible.

Commodity economics and demand-pull pressures on prices are difficult enough for the layman at any time, says sociologist Eugene Weinstein of SUNY's Stony Brook Campus: "How much more anxiety is generated when federal regulation becomes a factor . . . in an era of Watergate, ITT, dairymen, Vesco, etc., and of highly publicized oil company profits." To the resulting public anticipation of corporate greed and collusion with govern-

ment, there is added (a) the actuality of oil-laden tankers hitherto unnoticed in federal anchorages, (b) an atmosphere of panic heightened by daily headlines and (c) seeming official corroboration —all the way from Senator McGovern to Governor Byrne—for the suspicion if not the fact of corporate chicanery. The result is exactly what happened: since no substantiation of the groundless rumor was possible, the media magnified any incidental news to play up to public expectation, so starting a new rumor cycle.

Thus, New York's WNEW newsman Gabe Pressman appeared at length the evening of January 6 with a panel of antagonistic New Jerseyites, including the mayor of East Orange who was planning suit against the oil companies. (Mayor Hart was a piker, however, compared to Detroit attorney James Tucker, whose widely publicized class-action suit on behalf of the entire population of the United States at $1,000 a head called for damages of $270 billion!) WCBS Newsradio was still in there pitching in New York on January 8 with a commentary by Christopher Rand which included this buckshot: "Crude oil barges have stalled in the Ohio River . . . because they can't be unloaded fast enough; while gasoline supplies continue to tighten, prices go up—and for home-heating oil they skyrocket as well."

So on January 11, yet another denial was issued—this time by the Captain of the Port for New York Harbor. Tankers are not backed up nor even delayed, he said, despite persistent reports of this. Captain Frank Oliver noted that an average of eight tankers a day entered federal anchorages during the month of December. Thus, "based on past performance, this year's port activities are normal." Just to touch all bases, Captain Oliver brought 25 years of shipping experience to scorn the idea of keeping a tanker offshore while bartering for a better price. It would be just too costly to be practical, he said.

Did that finally end the rumor? During the last week of March, with the energy pinch sharply abated, Art Linehan at the Newark Star-Ledger got a hot tip from a New Jersey coastal resident: There was a whole fleet of tankers offshore. . . ! Linehan thanked his caller and got back to whatever he'd been doing.

But he kind of wondered! ■

Stray grains of wheat in Celliers' chaff.

By George DeWan

When it comes time to write the story of The Great American Energy Crisis, future historians are going to be baffled by the great reams of nonsense that was passed off as journalism. Peter Celliers has now made a small contribution.

Not that there aren't stray grains of wheat amidst Celliers' chaff. The premise is sound, and of more than passing interest. Rumors of oil shipments being held up last winter pending a price increase were certainly widespread enough to activate the salivary glands of even the most conservative news editor. And the media—especially the electronic media—did not distinguish themselves in handling them.

Perhaps I would not quibble with the author's errors of fact (of which more later) if he had confined himself to a study of the media at its less-than-best. But Celliers is interested in the broader question of the evolution of rumor into "fact," and alludes to various role-players in the scheme: An anxiety-ridden public easily misled; headline-grabbing politicians who should have known better (and probably did), and—hardly not least—unsophisticated media types looking for a sexy story.

But there is a singularly grand omission from this list of participants. What of the oil companies themselves?

Why did William Simon say, "If there is doubt, most of the citizenry these days will presume they are being misled . . ."? Why did the media, their antennae quivering, suddenly discover that there was a vastly wider readership for petroleum news than the subscription list of The Oil & Gas Journal? Why did Democrats stop talking about Republicans (and sometimes vice versa) and start whipping the oil companies instead?

It was not just that oil company profits were mushrooming to indecent levels, with the corporations saying they needed even more, although that certainly helped. As much as anyone else, the oil companies contributed to a supercharged atmosphere that made the rumor and the outrage not only understandable, but inevitable. Consider the headlines of the past 12 months or so.

Mobil refuses to cooperate voluntarily with a New York State investigation of the oil shortage. Two states file major antitrust suits against several oil companies, accusing them of monopoly and conspiracy, and the Federal Trade Commission files a similar complaint. A Senate committee accuses the oil industry of deliberately underutilizing refinery capacity in early 1972, and as a result, inventories for the next two winters are inadequate to meet demand. A Shell subsidiary is accused of stashing away fuel oil in the summer for winter resale at a higher price. The State of California says a number of major oil companies manipulated their books in order to avoid paying the state full value for state-owned oil.

It hardly needs restating here that, rightly or wrongly, the public just does not *trust* the oil industry, despite the millions of dollars the companies are spending to polish up their image. What happened last winter with the ships in the harbor is indeed a good case study in rumor vs. fact. But if we are going to try to understand it, let's get the facts straight.

Which brings me back to Mr. Celliers. I would point out a few things: The lead assumes a fuel shortage this winter, which—short of another oil embargo—virtually no one else expects. And the shortage of last winter was not as bad as it sounded, due in part to surprisingly large conservation efforts as well as mild weather. No one shivered in New York last winter because of fuel shortages. And State Attorney General Louis Lefkowitz announced *indictments* of seven oil companies on Dec. 2, not an investigation.

It occurs to me that there has been at least one beneficial effect of the energy shortages of the last year or so. They have educated countless journalists, as well as the public, in an entirely new area of concern. I have to assume, then, that the next Arab oil embargo will be better understood than the last one. ■

George DeWan is a general assignment reporter for Newsd iy. He was assigned to cover the energy crisis during the winter of 1973-74.

Mobil news release

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NEW YORK, NEW YORK 10017
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FOR USE: Immediate

MOBIL CITES 32 INACCURACIES IN ABC TV ENERGY SHOW

A 22-page analysis citing 32 "particularly inaccurate or unfair" statements in a recent ABC television program on the energy crisis was filed today with the National News Council, Mobil Oil Corporation announced.

The company is asking the 15-member news council, a watchdog of national news media, to investigate its complaint that ABC's "Oil: The Policy Crisis" was inaccurate and "shoddily researched."

The hour-long program was televised nationally the evening of March 20. Mobil filed a formal complaint with the news council the next day and followed with its documentation today.

Mobil's analysis also was delivered to ABC. In an introductory letter to network President James E. Duffy, Herbert Schmertz, Mobil's vice president for public affairs, said, "As you look through the attached rebuttals, you will find that many concern not questions of interpretation or judgment, but statements of fact. We believe that, at the least, your audience has a right to expect that you will present facts when dealing with a matter of national concern."

(MORE)

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Mr. Schmertz's letter went on to say the network's selection of film clips portrayed a damaging image of the industry with little offsetting footage showing industry contributions, and that much of the show covered "fundamentally irrelevant" history damaging to the industry. Yet, virtually none of the history relevant to the current energy crisis was included, Mr. Schmertz said.

Mobil's analysis divided the 32 quotes it said were "particularly inaccurate and unfair" into nine general areas and presented responses in each area. A sample of the quotes and Mobil's responses:

Quote: "(The breaking up of the Standard Oil Trust in 1911) did not eliminate the potential for lessening competition . . ." Response: "We believe the break-up significantly helped to increase competition. The industry is now highly competitive, and the degree of competition is demonstrated by gasoline price trends over the past several years . . . For example, in the period 1967-1973 the price of gasoline increased less than 19 percent, while all consumer prices increased more than 33 percent."

Quote: "Today the petroleum industry is dominated by about 18 integrated companies . . ." Response: "Even if the oil industry were 'dominated' by 18 companies, it still would be one of the least concentrated industries in the country. The oil industry is much less concentrated than autos, steel, computers,

(MORE)

and many others. The single largest oil refiner has less than 10 percent of total U.S. refining capacity. This fact is confirmed in the recent (January 1974) FTC staff report, which states that 'energy concentration and concentration in each of the three fossil fuels is relatively low.' Television broadcasting, on the other hand, has only three 'majors.'"

Quote: "The independents have brought the degree of competition there is in the industry . . . and as I say they are being squeezed out of business." Response: "On the independent refiner question (an attachment) compares 1951 refinery capacity to 1973 capacity. It shows that there were 20 companies with 50,000 barrels a day or more of capacity in 1951, and that there were 33 companies in this category in 1973 . . . the market share (of independent marketers) increased from 19.8 percent in 1968 to 26 percent in 1972 and, in 1973, held essentially level."

Quote: "(Government oil policies have) encouraged discovery all around the world, but not here." Response: "We believe that implications . . . that the U.S. oil industry has concentrated exploration efforts overseas, rather than in the United States, are factually wrong. Our record shows that in every year between 1964 and 1973, with the single exception of 1971, Mobil directed more exploration and lease bonus money toward the United States than toward the rest of the world combined. In 1971, the only exception, Mobil directed nearly 50 percent toward the United States.

(MORE)

The average for the ten-year period is about two-thirds in the United States and one-third in the rest of the world."

Quote: "The new refineries built with American consumer and, in effect, taxpayer money have been built abroad because the exciting new markets are markets in Europe and in Asia." Response: "For the ten-year period 1964-1973, Mobil financed all of its foreign capital expenditures and exploration expenses out of foreign earnings and foreign capital recovery, and still was able to remit money to the United States . . . It is totally untrue, therefore, that Mobil invested overseas 'using American consumer and, in effect, taxpayer money.'"

Quote: "We also know that the nation's distress is extremely profitable to the oil industry." Response: "Over the past 10 years, Mobil's return on shareholders' equity in the United States averaged 9.3 percent. By comparison, the average return for all U.S. manufacturing industries was 11.6 percent . . . In 1973, Mobil's return on average shareholders' equity in the United States was 10.1 percent compared with an estimated 12.6 percent (nine months) for the average of all manufacturing industries. ABC's return on shareholders' equity for 1973 was about 17 percent."

The National News Council will decide whether to conduct a hearing on Mobil's complaint after the news council completes its preliminary investigation.

# # # #

4/9/74

The National News Council
ONE LINCOLN PLAZA
NEW YORK, N.Y. 10023
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ABC's documentary is entitled "Oil: The Policy Crisis." Near the outset, Jules Bergman describes its purpose in part as follows:

> "...this program is a primer on oil and oil policy. It is designed to help understand the current crisis."

According to Mobil's Mr. Schmertz, in his April 9 letter to Mr. Duffy of ABC, ABC had sent Mobil a telegram on March 18, inviting comments on the documentary (which was to be aired March 20). The telegram described the program as "basically a primer on oil, designed to help Americans understand a highly charged and difficult problem," and went on to say that "it has been researched and executed from every conceivable point of view."

After viewing the program, Mr. Schmertz took strenuous exception to it, asserting that the implication of the above remarks was that the program "would be balanced and educational," but that "It was not." He made several general criticisms of the organization and basic thrust of the program, and appended an analysis discussing what a Mobil press release described as 32 statements in the program which Mr. Schmertz and his colleagues regarded as "particularly inaccurate or unfair."

The Grievance Committee will not comment on the issue of the precise accuracy or fairness of the individual statements, because we feel that ABC kept well within the bounds of robust opinion journalism in its selection and presentation of material. There are no significantly misleading factual misstatements.

(MORE)

Beyond that key test, in an area as complex as oil policy, a one-hour television documentary is bound to omit much that is important. Moreover, ABC was not under any obligation to give a scrupulously balanced presentation in any single program. It could, and did, select certain facts that pointed in one direction and omit others that pointed elsewhere. Its organization of the facts presented, moreover, created one specific editorial impression: namely that government policy on oil has been manipulated over the years by the oil industry itself, to the detriment of the public interest and for its own private profit.

Whether that is true or not is not for this Council to say. It is, however, well within the right of ABC under the First Amendment to say it.

Where ABC did err, however, was in giving the impression indicated in the first two paragraphs above. We believe Mr. Schmertz was correct in assuming, and we believe that viewers generally were also led to assume, that this documentary was striving conscientiously for balance and fairness. In cultivating that impression, ABC was professing adherence to a standard higher than was required of it and higher than it in fact achieved.

It is a mistake, in this Council's opinion, for a television network to contend that a documentary on a controversial subject is necessarily "executed from every conceivable point of view." Such a documentary can be imagined; it might even be produced. But such comprehensiveness is certainly not legally required,

and in fact is rarely achieved. Rather, the Council believes that ABC and the other networks should be encouraged to take forthright stands on controversial subjects, promoting their editorial views with vigor and supporting them with such facts as they deem relevant and persuasive. In the interests of credibility, certain standards are of course advisable, and in addition, under the Fairness Doctrine, a reasonable balance of opposing opinions must ultimately be presented. But, short of outright factual misstatements, the interests of free expression are best served by allowing full scope to a variety of views, very definitely including those that are one-sided.

Complaint dismissed.

* * *

Mobil news release

MOBIL OIL CORPORATION
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TELEPHONE: (212) 883-3232

FROM: John A. Gillespie

FOR USE: Immediate

Mobil Oil Corporation is pleased with the conclusion of the Grievance Committee of the National News Council that ABC's News Close-up -- Oil: The Policy Crisis -- "could, and did, select certain facts that pointed in one direction and omit others that pointed elsewhere."

Further, the Grievance Committee found that ABC did err in representing the program as a "primer on oil, executed from every conceivable point of view."

Herbert Schmertz, vice president for public affairs, applauded the Council's recognition of ABC's misrepresentation. "The core of Mobil's complaint against the television network was our contention that the documentary, far from presenting all sides of this highly charged and controversial issue, emphasized a misleading and one-sided point of view. The network's claims of objectivity and balance constituted serious misrepresentations."

Mr. Schmertz further noted that, "Although the Grievance Committee declined to discuss the specific inaccuracies Mobil had protested in its detailed critique of the program, it nevertheless took ABC to task for creating a misimpression."

The company also agrees with the editorial in the May 22 Wall Street Journal that states the ABC program "was an hour-long editorial".

- more -

PLEASE NOTE: THERE IS NO "E" IN "MOBIL"

Mr. Schmertz also indicated Mobil's disappointment that the National News Council, which was created to judge issues of fairness and accuracy in news reporting, did not see fit to investigate Mobil's complaints of numerous factual inaccuracies and misstatements.

"However," Mr. Schmertz concluded, "the Council, an independent organization, supported Mobil's finding that the program was not balanced. We see this as a step toward recognition of a need for constructive criticism of network news and public affairs programming."

The members of the National News Council's Grievance Committee who participated in the decision included William A. Rusher, publisher of the National Review; Stanley Fuld, a former New York judge; Molly Ivins, an editor of the Texas Observer; Robert McKay, dean of the New York University Law School; and Sylvia Roberts, a Baton Rouge attorney.

5/23/74 # # #

Mobil Oil Corporation

150 EAST 42ND STREET
NEW YORK, NEW YORK 10017

HERBERT SCHMERTZ
VICE PRESIDENT

March 10, 1975

Mr. Arthur Ochs Sulzberger
The New York Times
229 West 43 Street
New York, New York 10036

Dear Mr. Sulzberger:

Perhaps the placement on the back page of The New York Times of the March 1 item about Mobil ("Utility Suits Against Oil Concerns Dismissed Here") was dictated in some fashion by the occult mechanics of newspaper production.

Or perhaps, as is more likely, virtually no thought at all was given to its placement. Whatever the reason, it is certain that positioning the story about the suit's dismissal (favorable to the oil industry) bore no relationship to positioning the story nine months earlier about the allegations in the suit (unfavorable to the industry).

On May 23, The Times felt the story was important enough for a Front Page, Column-One treatment under the headline, "Long Island Lighting Company Files $186 Million Federal Suit..." Mobil's response at the time was that the suit was "straight out of Alice in Wonderland."

On February 27, the U.S. Federal Court obviously agreed with Mobil's judgment because it tossed out the suit by Lilco (and a similar one by Con Ed as well). But a devoted Times reader would have been hard-pressed to learn of it. He would have had to wade patiently through 54 pages of assorted news, opinion, fashions, food, business news, obituaries, classified ads, weather reports and radio and television schedules before encountering, on the very last page, the fact that an important antitrust suit against major oil companies had been dismissed.

Mobil

Even more disturbing is the fact that there probably would have been no story at all in The Times if Mobil had not brought the facts to the attention of the Metropolitan Desk, which inexplicably had not covered the dismissal of the suits by Judge Wyatt.

Obviously, our concern is not over how news is positioned but of how the importance of news is perceived at The Times. We are concerned that though the petroleum industry has been subjected to an unparalleled front page barrage of editorialized and politicized criticism, news of its vindication -- even in a local scrimmage -- could be buried as it was. By relegating the news of the suit's dismissal to the back page, The Times' editors ensured that it would go virtually unnoted by those who had been influenced by the original attack reported on The Times' front page.

In a sense, the oil industry is on trial in a court of public opinion -- molded in part by The New York Times. Ill-considered Congressional actions are a partial reflection of that public opinion. If The Times fails in its obligation to present all the facts in a fair manner our free institutions will suffer.

Sincerely yours,

Original Signed By:
HERBERT SCHMERTZ

Herbert Schmertz

HS:gmf

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The New York Times
229 WEST 43 STREET
NEW YORK, N.Y. 10036

ARTHUR OCHS SULZBERGER
PRESIDENT AND PUBLISHER

March 20, 1975

Dear Mr. Schmertz:

Thank you for your letter of March 10.

I think that you are both correct and incorrect in your letter of complaint -- a not unusual paradox in life.

I think you are incorrect to say that when The Times does not put a story on the front page it "buries it." If that were the case, all we should do is print the front page and fill the rest of the paper with advertisements.

Obviously, we cannot put all the news on the front page and, quite as obviously, what may be a front page story one day may not be a front page story the next day, depending on the flow of the news.

You are also incorrect in your assumption that it took a call from Mobil to alert us to the story and that we had not covered it before. The fact is that the story was covered, written, and submitted, but squeezed out of the paper -- by space requirements -- which should not have happened in this case.

However, I do think you are right in one thing. The Times prides itself on being scrupulously fair in the play of the news and it should be held to those standards. I have discussed this with the managing editor and it is his feeling, and mine, that whenever possible, the news about the dismissal of a suit ought to be given the same prominence as the fact that the suit was brought. He feels and I do that it would have been appropriate to have played the story on the front page. The reason that it

was not was that it was felt that the focus of the oil story had changed in the nine months since the filing of the suit and that it no longer commanded the importance that page one connotes. But, as I say, that is a decision that we now feel could well have been made the other way.

Let me add just one more point. It is your job, as an official of Mobil Oil to point out inadequacies or errors in judgment on the part of The Times. We accept that kind of thing and welcome it. And at the same time we believe you are painting a false picture of Times's coverage, one with which we cannot agree. The implications in your comments that we are somehow out to get the oil companies in general and Mobil in particular are simply not true. You seem to ignore countless stories that give the oil companies' point of view in detail -- just as we print stories critical of the oil companies.

At any rate, I do appreciate your letter and am sorry that you found it necessary to write.

With every best wish,

Sincerely,

Mr. Herbert Schmertz
Vice President
Mobil Oil Corporation
150 East 42 Street
New York, N.Y. 10017

When, in 1972, charges alleging price-discrimination, were lodged against Mobil. The New York Times rushed into print. (The charges were among three made against Mobil at the time, and other oil companies were subsequently named.)

On January 6, 1976, the state's highest court dismissed the price discrimination allegation. (Another of the charges had been dismissed even earlier.) Other newspapers, major wire services, and TV and radio stations publicized the latest dismissal. What coverage did the nation's "newspaper of record" give the January 6 dismissal? Judge for yourself:

The Times on accusations:

MOBIL OIL NAMED IN ANTITRUST SUIT

Jul. 18 41:3

Three-Point State Action Asks $150,000 in Fines, Permanent Injunction

By WALTER H. WAGGONER

State Attorney General Louis J. Lefkowitz moved in Manhattan Supreme Court yesterday to halt what he charged were violations of state antitrust law by the Mobil Oil Corporation.

Demanding penalties totaling $150,000, the Attorney General accused Mobil of a wide variety of illegal actions, including price discrimination, price fixing and "tie-in sales" of Mobil products other than gasoline and oil.

The complaint, based on an investigation conducted by Assistant Attorney General Charles A. LaTorella Jr., stated that both the public and Mobil's 1,500 retail dealers in the New York metropolitan area, were injured by practices that "substantially restrained trade and competition" in violation of the Donnelly Antitrust Act.

Actions Detailed

Among the discriminatory actions, according to the state, was the use of so-called "dealer aid" by which Mobil granted "discriminatory rebate some of its dealers with of its several marketing

These rebates were "arbitrarily and capri the complaint charged, result that Mobil was "to restrain competi conducting price wars areas while ma artifically high prices i to the serious detri dealers and the publ

The Attorney Gen alleged that Mobil f retailers to sell Mo tires, batteries and ac exclusively even thou petitive brands could instances be sold prices. He contended, dealers were often re buy more tires, batt accessories than they "thus creating a storage problem."

Contracts Threate

Dealers who refu "succumb, yield or su the oil company's threats or harrassme sometimes had their other contracts can they have been threa such cancellation, th General charged.

The state's a permanent injun the continuation practices, and fine the legal maximu of the three maj the complaint. T has 20 days in wh the charges.

Mr. Lefkowitz while, that becau tigation is continu

The Times on January 6 dismissal:

In the news business, it's understandable that government accusations generate readership. But any newspaper that publishes an accusation -- particularly if it professes to be a newspaper of record -- has an obligation to give at least some coverage to subsequent dismissals. Such omissions are the stuff myths are made of.

Mobil 40

Jan. 14, 1976 NYT p. 69

OIL ANTITRUST TRIAL TO START ON FEB. 23

The first of three criminal antitrust actions brought by the state against major oil companies will go to trial in State Supreme Court here next month, Attorney General Louis J. Lefkowitz's office reported yesterday.

The suit, brought under the state's Donnelly Act, charges three companies—Exxon, Gulf Oil and Mobil Oil Corporations—with having conspired to rig bids for sales to the state. According to Assistant Attorney General Roger H. Hausch, the trial is to open before Justice Burton B. Roberts on Feb. 23.

A second criminal action originally brought against seven companies—Exxon, Gulf, Mobil, Shell Oil Company, American Oil Company, Texaco Inc. and Sun Oil Company—charged price-fixing practices and attempt to drive independent competitors out of business.

Mr. Hausch reported that three of the companies—Shell, Amoco and Exxon—had agreed to consent judgments last June, paid $45,000 each and were no longer parties to the suit. A trial date for the four remaining companies has not been set, he said.

Also pending is a criminal action accusing Mobil of illegal tie-in sales, Mr. Hausch said. It charges the company with having required its gasoline station operators to sell Mobil tires, batteries and other accessories even when competitive brands coul be sold at lower prices. The company has denied these charges.

Mobil also was the target of a six-count civil action brought by Mr. Lefkowitz in 1972. Two of the charges, involving price-fixing, were dismissed earlier in State Supreme Court, and the subsequent dismissal of two other charges of price discrimination was upheld Jan. 6 by the Court of Appeals in Albany.

The state's highest court affirmed an Appellate Division ruling that the charges were outside the scope of the Donnelly Act. But the 5-to-2 decision did not affect the two charges of tie-in sales contained in the original civil action, and Mr. Lefkowitz's office said yesterday those charges remained in litigation.

FROM: Ken Peterson
(212) 883-3232

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Mobil news release

FOR IMMEDIATE RELEASE

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WNBC-TV OFFER TO AIR SHORT MOBIL STATEMENT TERMED IRRESPONSIBLE FORMAT FOR RESPONSE

NEW YORK, MARCH 9 -- Mobil Oil Corporation today characterized as "irresponsible" the format of a television interview proposed by WNBC-TV to enable the company to respond to a series of television shows on the oil industry. The series, which ran Feb. 23-27, consisted largely of interviews conducted by WNBC-TV reporter Liz Trotta.

Mobil's initial reaction to the WNBC-TV series was a letter submitted March 1, requesting the purchase of one-half hour of time on the New York station in order to "present additional information which we feel is pertinent to the many issues raised by Ms. Trotta." Though that request was rejected yesterday, Mobil renewed it today.

Mobil said the WNBC-TV offer, embodied in a telegram from the station's news director, asked for a company spokesperson to make a short statement and then respond to a series of questions posed by Ms. Trotta.

The oil company branded the format of the WNBC-TV offer as "patently unfair because it would be impossible for Mobil to compress its response into a short statement of a few minutes in reply to five nights of one-sided editorializing totaling some 36 minutes."

In addition, the company had placed full-page advertisements in the New York Times, New York Daily News and Wall Street Journal

(MORE)

which corrected, point-by-point, the inaccuracies made on the WNBC-TV series.

Following are the texts of the WNBC-TV wire to Mobil and the oil company's response:

(TELEGRAM FROM WNBC-TV DIRECTOR, TELEVISION NEWS)

"Once again, Newscenter 4 offers Mobil Oil via its authorized spokesperson to appear live on our news broadcast to make known its views concerning the questions of gasoline prices, marketing or gas station ownership. Since you fear editing of your statements, I am offering to allow you to make a short statement followed by questions by Ms. Trotta. Please let me know when you can have a spokesperson available."

(THE MOBIL REPLY)

"This is in reply to your offer to have a Mobil spokesperson appear on WNBC-TV News to make a short statement and respond to questions posed by Ms. Trotta. The format you propose in no way provides Mobil with a reasonable opportunity to respond adequately to the many inaccuracies contained in Liz Trotta's series on the oil industry.

"First, tne format you offer is patently unfair because it would be impossible for Mobil to compress its response into a short statement of a few minutes in reply to five nights of one-sided editorializing totaling some 36 minutes.

"Second, the format you offer is irresponsible because it exacerbates the unfairness of the original show, in which WNBC-TV News and Ms. Trotta used their full control over the structure of the show to present a biased report on the complex issues involved. Mobil does not believe it can redress this unfair presentation with WNBC-TV News controlling the agenda of the questions posed by Ms. Trotta.

(MORE)

"Third, the issues related to oil policy are far too important to the future of the United States and too complex to be handled adequately in an unresearched, off-the-cuff, question and answer format. Especially in light of the unfairness of the Trotta series, these issues require fair and balanced analysis in depth.

"Mobil believes that after WNBC-TV's one-sided presentation of these issues, we are entitled to a fair and sufficient amount of time to redress the balance for your viewers. As we pointed out in our Op-Ed message in the March 5 New York Times, 'We recognize that the structure of TV and radio news and documentaries is not satisfactory for handling complex material or long stories. But this is no justification for failing to provide suitable access for correction of errors caused by this structure.'

"It is for these reasons that we delivered to WNBC-TV on Monday, March 1, 1976, Mobil's request to be allowed to purchase 30 minutes of time, during which we would present additional information on the energy issues raised by Ms. Trotta with no editing. As you are aware, your management rejected this request yesterday. We are, however, renewing our request for unedited time today in a separate letter to your station manager, based on the reasons listed above. We stand ready to have our program available for airing within two weeks."

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3/9/76